

Gas-Guzzler Tax

Retailers

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This guide explains the application of gas-guzzler tax to new fuel-inefficient passenger cars, effective July 1, 1989.

GAS-GUZZLER TAX

New passenger cars that consume 9.5 litres (or more) of gasoline or diesel fuel per 100 kilometres of highway driving are subject to a "gas-guzzler" tax payable on purchase or lease.

The tax is also payable when options such as air-conditioning or engine modifications boost the fuel consumption of a new passenger car to gas-guzzling levels. For example, gas-guzzler tax would apply if the modifications needed to convert a conventional passenger car into a police car or other emergency response vehicle increased its highway fuel consumption rating to 9.5 litres or more.

The gas-guzzler tax does not apply to vehicles such as:

- all-terrain vehicles
- competition cars
- multi-purpose passenger vehicles (as designated by the federal safety compliance sticker found inside the door)
- reproduction antique cars
- motorcycles
- trucks.

HOW IS TAX CALCULATED?

The gas-guzzler tax is graduated into four levels:

Highway Fuel Consumption Ratings (Litres per 100 Kilometres)	Tax
9.5 to 12.0	\$600
12.1 to 15.0	\$1,200
15.1 to 18.0	\$2,200
over 18.0	\$3,500

The highway fuel consumption ratings are those provided by Transport Canada. If the federal rating is not available when a new car is purchased, the maximum gas-guzzler tax of \$3,500 will apply.

Listings of passenger cars that have been classified as "gas-guzzlers" based on Transport Canada ratings are available from local Retail Sales Tax Offices and Ministry of Revenue Information Offices.

Vendors must show the gas-guzzler tax separately on sales invoices. The gas-guzzler tax collectable on sales should be reported with the applicable 8% retail sales tax on line 2 of their retail sales tax returns. For audit purposes, they should also maintain separate records of gas-guzzler taxes collected and remitted.

LEASE AND RENTAL VEHICLES

Lessors are not required to pay gas-guzzler tax on the new passenger cars that they purchase to lease out or rent. When a new car is leased on a **long-term** basis, the lessor is required to add the gas-guzzler tax to the charges of the first customer. The tax is payable in full on the date of the first lease payment.

As an alternative, the lessor may:

- collect the gas-guzzler tax over the term of the long-term lease, or
- pay the gas-guzzler tax plus the applicable 8% retail sales tax when purchasing a new car for leasing purposes and pass this increased cost on to lessees in their lease payments.

Whatever option is chosen must be used consistently. Lessors who plan to change the way in which they collect gas-guzzler tax must first obtain written approval from the Retail Sales Tax Branch.

When a new car is rented out for **short periods of less than a year**, the lessor must add the tax to the rental charges so that the total gas-guzzler tax for the car is collected and remitted within six months of its first rental.

When billing gas-guzzler tax to their customers, lessors must show the tax separately on their invoices. In all cases, retail sales tax is calculated at 8% on the total lease or rental charge, including the gas-guzzler tax.

IMPORTED VEHICLES

People who buy new “gas-guzzling” cars in another province or country and bring them into Ontario are required to pay the gas-guzzler tax as follows:

- Vendors importing new cars for their own use remit the tax on line 3 of their retail sales tax returns.
- Other purchasers may pay the applicable tax to the nearest Retail Sales Tax Office.
- The gas-guzzler tax may also be paid when the car is first registered in Ontario at a motor vehicle office of the Ministry of Transportation.

In all of these cases, the gas-guzzler tax forms part of the taxable value of the new cars on which sales tax is calculated at 8%.

REFUNDS BY VENDORS

Vendors can refund the gas-guzzler tax paid on a new car only when the original sale price is **fully refunded** to the customer on the return of the vehicle. Since the gas-guzzler tax is a flat tax unlike the 8% tax and imposed regardless of sale price, it is not refundable when the sale price is partially refunded or otherwise adjusted.

REFUNDS FOR CARS CONVERTED TO ALTERNATIVE FUELS

Gas-guzzler tax refunds are available for cars that are converted to run on a single-use alternative fuel such as ethanol, methanol, natural gas, propane and other manufactured gas or electricity. The eligibility period is the same as for the 8% retail sales tax refund for such vehicles. Purchasers must sign the conversion contract within 90 days of the purchase date of the car and the conversion must be completed within 180 days of the purchase date.

The gas-guzzler tax will be refunded in full to qualifying applicants in addition to the 8% retail sales tax refund.

Cars converted to be dual-powered, that is, powered either by an alternative fuel or a conventional fossil fuel do not qualify for a refund of the gas-guzzler tax.

Ontario Sales Tax Guide 139 – Refunds: Vehicles Powered by Alternative Fuels contains more detailed information about this refund program.

The information in this publication is only a guideline. For more specific information, please consult the Retail Sales Tax Act or contact your local Retail Sales Tax Office listed in the blue pages of your telephone directory.